Film

MAHER INC.

ANNUAL REPORT

Fifty-two weeks ended

January 6, 1979

PRESIDENT'S MESSAGE TO THE SHAREHOLDERS

It is a pleasure to report that our sales and earnings for the year ended January 6, 1979, have again exceeded all previous years. Sales increased 20.7% to $41,231,000, while net income rose to $1,706,000 from $1,043,000 for the corresponding period last year. Same condition store sales increases contributed 11.5% and the remaining 9.2% increase came from net new stores, including the acquisition of Barcley-Lanes Shoes.

The shoe industry enjoyed one of its better sales years in 1978, having been stimulated with strong new fashion trends, and we, along with other retailers, enjoyed the further benefits from reduced provincial sales taxes for a good part of the year. Our own improved performance was largely attributable to significant increases in sales volume in existing locations, together with further continued improvements and efficiencies from the consolidation programme of our merchandising and operating functions.

During the year, 10 new stores were opened and 11 stores were closed, while 3 small adjacent shopping centre stores were combined. With the purchase as of April of the 11 Barcley-Lanes stores, we ended the year with 183 stores in operation.

We remain concerned with the current economic uncertainty in Canada, dramatically increasing footwear prices, delivery slowdowns and with possible supply shortages being created in the shoe industry because of government imposed restrictions. However, the increasing productivity of our stores and new product development efforts provide strong momentum for continued growth, and we expect 1979 to be another good year for Maher.

February 26, 1979
Toronto, Ontario

Thomas P. Wilson,
President

MAHER INC.

(Incorporated under the laws of Ontario)

BALANCE SHEET

ASSETS

CURRENT ASSETS	January 6, 1979	January 7, 1978
Cash and bank deposit receipts	$ 1,595,000	$ 1,572,000
Accounts receivable	362,000	386,000
Inventories	8,472,000	7,725,000
Prepaid expenses	167,000	118,000
	10,596,000	9,801,000
INVESTMENT IN BARCLEY-LANES SHOES (note 3)		228,000
FIXED ASSETS		
Building	116,000	116,000
Fixtures, equipment and leasehold improvements	8,127,000	7,047,000
	8,243,000	7,163,000
Less accumulated depreciation	3,890,000	3,314,000
	4,353,000	3,849,000
Land	38,000	38,000
	4,391,000	3,887,000
	$14,987,000	$13,916,000

Approved by the Board

L. R. CHESTER, *Director*

T. P. WILSON, *Director*

LIABILITIES

CURRENT LIABILITIES	January 6, 1979	January 7, 1978
Accounts payable and accrued liabilities	$ 2,929,000	$ 2,752,000
Income and other taxes payable	905,000	436,000
Payable to parent and affiliated companies	552,000	1,548,000
	4,386,000	4,736,000
LONG TERM DEBT (note 4)		
6¾ % Sinking fund debenture, series A, maturing April 1, 1987	900,000	1,000,000
DEFERRED INCOME TAXES	514,000	353,000
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 5)		
Authorized		
156,675 60¢ Cumulative, non-redeemable preference shares without par value		
16,000 Common shares without par value (formerly 400,000 shares)		
Issued		
156,666 Preference shares	1,413,000	1,413,000
8,396 Common shares (formerly 209,900 shares)	1,231,000	1,231,000
	2,644,000	2,644,000
RETAINED EARNINGS	6,543,000	5,183,000
	9,187,000	7,827,000
	$14,987,000	$13,916,000

Long term leases (note 6)

MAHER INC.

STATEMENT OF INCOME

	52 weeks ended January 6, 1979	53 weeks ended January 7, 1978
Sales	$41,231,000	$34,165,000
Costs and expenses before the undernoted	37,093,000	31,315,000
Depreciation	760,000	679,000
Debenture interest	65,000	74,000
Other interest	202,000	245,000
	38,120,000	32,313,000
	3,111,000	1,852,000
Equity in earnings of Barcley-Lanes Shoes		1,000
Income before income taxes	3,111,000	1,853,000
Income taxes (note 7)		
Current	1,244,000	795,000
Deferred	161,000	15,000
	1,405,000	810,000
NET INCOME FOR THE PERIOD	$ 1,706,000	$ 1,043,000
EARNINGS PER COMMON SHARE (note 5) (after providing for annual dividends on preference shares)	$ 192.00	$ 113.03

STATEMENT OF RETAINED EARNINGS

	52 weeks ended January 6, 1979	53 weeks ended January 7, 1978
BALANCE AT BEGINNING OF PERIOD	$ 5,183,000	$ 4,444,000
Net income for the period	1,706,000	1,043,000
	6,889,000	5,487,000
Dividends		
Preference shares	94,000	94,000
Common shares	252,000	210,000
	346,000	304,000
BALANCE AT END OF PERIOD	$ 6,543,000	$ 5,183,000

MAHER INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION

	52 weeks ended January 6, 1979	53 weeks ended January 7, 1978
WORKING CAPITAL DERIVED FROM		
OPERATIONS		
Net income for the period	$ 1,706,000	$ 1,043,000
Items not involving working capital		
Depreciation	760,000	679,000
Deferred income taxes	161,000	15,000
Loss on disposal of fixed assets	15,000	23,000
Equity in earnings of Barcley-Lanes Shoes		(1,000)
	2,642,000	1,759,000
Decrease in mortgages receivable		38,000
Proceeds from sale of fixed assets	10,000	40,000
	2,652,000	1,837,000
WORKING CAPITAL APPLIED TO		
Additions to fixed assets	942,000	769,000
Dividends	346,000	304,000
Reduction of non-current portion of long term debt	100,000	100,000
Acquisition of 50% equity of Barcley-Lanes Shoes less its working capital at date of acquisition of $116,000	119,000	
	1,507,000	1,173,000
INCREASE IN WORKING CAPITAL	1,145,000	664,000
WORKING CAPITAL AT BEGINNING OF PERIOD	5,065,000	4,401,000
WORKING CAPITAL AT END OF PERIOD	$ 6,210,000	$ 5,065,000

MAHER INC.
NOTES TO FINANCIAL STATEMENTS
January 6, 1979

1. ARTICLES OF AMALGAMATION
Pursuant to Articles of Amalgamation dated May 6, 1978, Maher Shoes Limited and its 100% owned subsidiary, Copp the Shoeman Limited, amalgamated and the name of the continuing company was changed to Maher Inc. This amalgamation had no effect on these financial statements.

2. SUMMARY OF ACCOUNTING POLICIES
(a) Inventories
Inventories are valued at the lower of cost and net realizable value.
(b) Fixed assets
Fixed assets are stated in the accounts at cost. Depreciation charged to operations is based on the following:

Building	2½% straight line
Fixtures and equipment	10% straight line
Leasehold improvements	10% straight line

It is the Company's policy to remove from the accounts the cost and accumulated depreciation of fully depreciated fixed assets.
(c) Income taxes
The Company charges earnings with income taxes currently payable and also with income taxes deferred by claiming certain costs for income tax purposes in excess of related costs charged to income. The accumulated total of such income tax deferments is reflected in the balance sheet as "Deferred income taxes".
(d) Pension costs
Current service pension costs are charged to operations each year and the company has no unfunded past service liability.

3. BARCLEY-LANES SHOES
Effective April 1, 1978, the Company acquired the 50% equity in the Barcley-Lanes Shoes partnership not previously owned thereby acquiring 100% control. Prior to that date, the Company's share of the earnings (losses) of the partnership were included in the financial statements on an equity basis. Thereafter, 100% of the assets, liabilities, sales and expenses of Barcley-Lanes Shoes have been included in the financial statements.

The details of the acquisition of the 50% equity in Barcley-Lanes Shoes are as follows:

Working capital, at fair values	$116,000
Fixed assets, at fair values	347,000
	463,000
Less equity in Barcley-Lanes Shoes, at date of acquisition	228,000
Consideration, being cash	$235,000

4. LONG TERM DEBT
The 6¾% sinking fund debenture is secured by a first floating charge on the assets of the Company. The more significant of the covenants of the Trust Deed restricts the Company from reducing working capital below $1,000,000 and from paying dividends on common shares if such payments would reduce working capital below $1,250,000.
At January 6, 1979, the Company had a sinking fund credit of $138,000 which is sufficient to meet the $90,000 payment due in the year ending January 5, 1980. The payments required in the 1980 and subsequent years average approximately $115,000 per annum to April, 1987, the date of maturity.

5. CAPITAL STOCK
Pursuant to Articles of Amendment approved by the shareholders on May 5, 1978, the authorized and issued common shares of the Company were consolidated on the basis of one for twenty-five. Earnings per share have been calculated giving effect to the consolidation and the prior year's earnings per share have been restated giving retroactive effect to this consolidation.

6. LONG TERM LEASES
At January 6, 1979, the Company has entered into long term leases for periods expiring between 1980 and 1998. Based upon leases in effect as at its fiscal period end the aggregate minimum amount that will be incurred by the Company as annual rent during the next five years is approximately $2,350,000 exclusive of percentage rents.

7. INCOME TAXES
The effective tax rate on income before income taxes is 45% (1978, 43%). This includes a tax reduction of approximately $145,000 in 1979 (1978, $105,000) on the application of the inventory allowance.

8. OTHER STATUTORY INFORMATION
Remuneration of directors and senior officers, including the five highest paid employees of the corporation, amounted to $295,000 (1978, 298,000).

9. ANTI-INFLATION LEGISLATION
The Company was subject to the Anti-Inflation Act which provided for the restraint of profit margins, prices and compensation which expired at December 31, 1978. In management's opinion the Company has complied with the provisions of this Act for the period ended January 6, 1979.

AUDITORS' REPORT

To the Shareholders of Maher Inc.

We have examined the balance sheet of Maher Inc. as at January 6, 1979 and the statements of income, retained earnings and changes in financial position for the 52 weeks then ended. Our examination was made in acccordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.
In our opinion, these financial statements present fairly the financial position of the company as at January 6, 1979 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Toronto, Canada
February 23, 1979

Thorne Riddell & Co.
Chartered Accountants